

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

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August 31, 2005

NOTICE OF THE ISSUANCE OF THE PRELIMINARY FINDING UNDER AS 38.05.035(e) PROPOSED HEALY AREA EXPLORATION LICENSE

The Department of Natural Resources, Division of Oil & Gas (DO&G), gives notice under AS 38.05.945(a)(3)(A) that it has issued the preliminary best interest finding under AS 38.05.035(e)(5)(A) for a proposed Healy Area Exploration License for gas only.

Before this offering can take place, the commissioner of DNR is required to make a written finding that the offering is in the best interests of the state. DO&G has collected public and agency comments, socio-economic and environmental information in order to consider the potential effects of this proposed offering. That information was used to prepare this preliminary written finding. The preliminary finding establishes the scope of the administrative review for the proposed offering; considers and discusses certain important facts and issues determined to be material as required by AS 38.05.133(f); and sets out the law, regulations and applicable policies upon which the commissioner bases his determination. The finding also includes proposed mitigation measures considered necessary to avoid or minimize possible adverse impacts of the proposed offering.

PUBLIC COMMENT

DO&G invites the public to comment on any aspect of the proposed gas-only exploration license, including this preliminary best interest finding or any proposed term or condition. Comments should be mailed to the Division of Oil and Gas; 550 West 7th Ave, Suite 800; Anchorage, AK 99501. Attention: Jonne Slemmons, Permitting Manager; Fax 907-269-3484; e-mail jonne_slemmons@dnr.state.ak.us. Comments must be received no later than 5:00 p.m. October 31, 2005 to be considered in the final best interest finding. DO&G will hold public meetings in Healy during the public comment period. The exact meeting dates, times and locations will be advertised in a separate public notice.

OFFERING AREA DESCRIPTION

The State of Alaska is proposing to offer a gas only exploration license on approximately 208,630 acres located within the Fairbanks Meridian. The license area lies entirely within the Denali Borough. Land ownership within the license area is a mixture of state, federal, and private holdings, and a portion of the proposed area lies adjacent to Denali National Park. Only lands for which the state owns the subsurface estate will be included in the license.

FINAL BEST INTEREST FINDING

DO&G anticipates making the final finding available to the public in December, 2005. If a decision is made to award the exploration license, it will be awarded to Usibelli Coal Mine, Inc. Under AS 38.05.035(i), only those persons whom the final written finding affects and who have meaningfully participated in the best interest finding process, through written comment or oral testimony presented at a public hearing, are eligible to file an administrative appeal or request reconsideration of the final decision by the commissioner. Further, under AS 38.05.035(l) only those persons who have exhausted their administrative rights by requesting reconsideration have standing to appeal the best interest finding to the Superior Court.

“Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans.”

The Preliminary Best Interest Finding is available online at www.dog.dnr.state.ak.us Hard copies of the Preliminary Best Interest Finding are available for review at:

Denali Borough
Mile .5 Healy Spur Road
Healy, AK 99743

Tri-Valley School Library
1 Suntrana Street
Healy, Alaska 99743

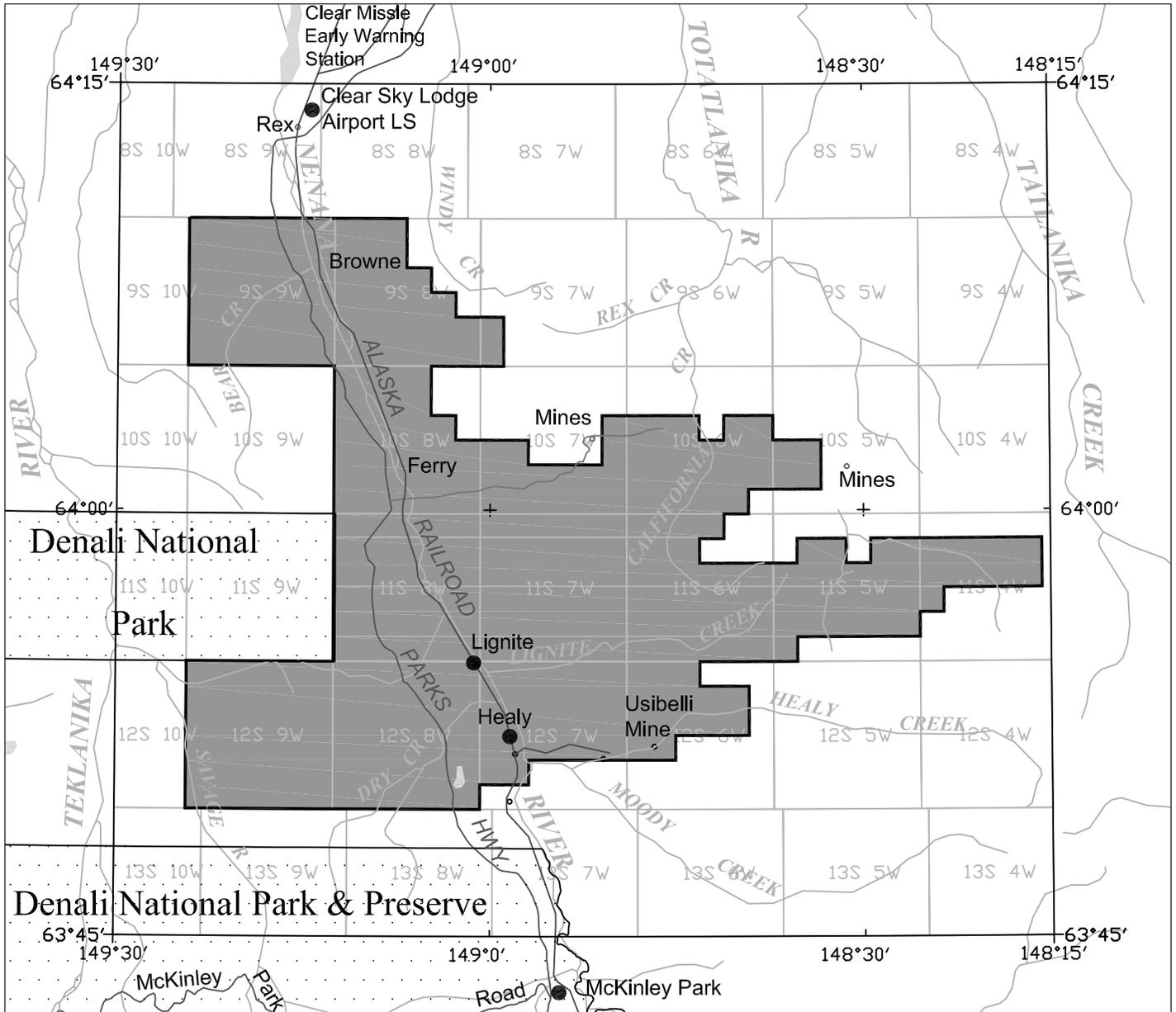
City of Anderson
260 W. 1st Street
Anderson, AK 99744

Fairbanks North Star Borough Public Libraries and Regional Center
1215 Cowles Street
Fairbanks, AK 99701.

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A handwritten signature in black ink, appearing to read "Mark D. Myers". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

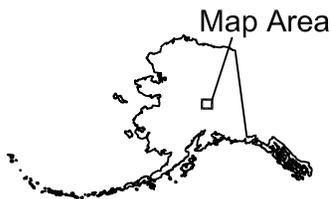
Mark D. Myers
Director



Proposed Healy Basin Exploration License

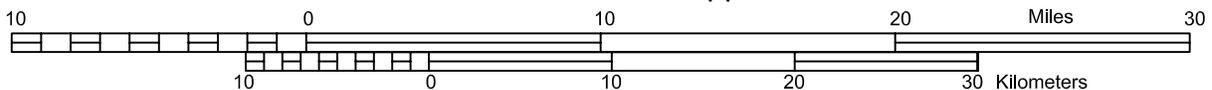
Proposed Exploration License Area = 

Federal Lands = 



Scale 1:380,000

One Inch = 6 Miles Approx.



Map created, edited, and published by the State of Alaska, Department of Natural Resources, Division of Oil and Gas.
 Albers Equal-Area Conic Projection, 1927 North American Datum, Clarke 1866 ellipsoid with a central meridian of 148° 52' 40", origin latitude of 50°, northern parallel of 65°, and southern parallel of 55°.
 This is not an official license map, but is for informational purposes only. DNR makes no claim as to its accuracy.